



Utility Resource Services

Mr. J. Tyler Carlson
Western Area Power Administration
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November 4, 2002

Re: Parker-Davis Project Extension of Electric Power Resource Commitments
Post - 2008.

Dear Mr. Carlson:

These written comments regarding the above referenced matter are submitted on behalf of the Town of Fredonia (Fredonia). Fredonia currently has a Parker-Davis Project (P-DP) contract with the Western Area Power Administration (Western), Contract No. 87-BCA-10092, for 1,342 kW of capacity in the winter months and 1,577 kW in the summer months. The annual amount of energy is approximately 7,711,000 kWh.

Fredonia is a unique customer of Western because all of its power requirements are supplied by the P-DP. Additionally, Fredonia must utilize the SLCA/IP (CRSP) transmission facilities to deliver P-DP power from Pinnacle Peak, or Rogers, Substation to Glen Canyon. This pancaking of transmission rates plus the associated contract losses dramatically increases the cost of the P-DP resource to Fredonia. We do not believe any of the other Firm Electric Service customers of P-DP have these characteristics.

Fredonia supports Western's position of applying the Power Marketing Initiative (PMI) for the extension of the P-DP resources. However, for the reasons stated herein, we believe the Resource Pool of 6.0% recommended by Western should be modified and is not supported by the record. The bases for our recommendations are set forth herein.

APPLICATION OF PMI

According to information provided by Western at its Public Information Forums the only basis for arriving at a 6.0% Resource Pool was that it approximates the amount Western has established in other marketing areas. Western has not provided any analytical support for determining the size of the Resource Pool. As noted by Western in its Federal Register Notice and by various comments made at the Public Comment Forums the P-DP marketable capacity is significantly smaller than the other marketing areas. In the other marketing areas the Resource Pool was large enough for both large and small utilities, and Native Americans, to make application for the new resource pool.

No analysis has been performed by Western to determine the economic effect a 6.0% reduction will have on the P-DP customers, especially those who rely on it to provide all of its power requirements. Furthermore, no economic analysis has been performed to determine what effect the provisions of the "Advancement of Funds Contract for Parker-Davis Project Generation Facilities" (AOF) will have on new customers power costs. The up-front costs of unamortized capital expenditures may make the cost of power to these new customers prohibitive.

IMPACT OF 6.0% RESOURCE POOL ON FREDONIA

If Western adopts the 6.0% Resource Pool for new customers, and assuming the reductions is spread equally across all existing customers as it has been done in the other marketing areas, Fredonia will lose approximately 463,000 kWh of energy on an annual basis. This is equal to almost one months loss of energy. (Actually, Fredonia will incur more than a 6.0% reduction in energy because of contract transmission losses which makes the reduction almost 7.0%). This much of a reduction on one customer is significant, especially when the P-DP power is your only resource.

Accordingly, we would recommend that the Resource Pool calculation exclude those small customers who rely solely on the P-DP resource and incur significant transmission losses.

There is precedent for this approach. During Western's previous re-allocation of the P-DP the Colorado River Commission was allocated some additional power because it had some withdrawable power. In this case we would simply ask the Resource Pool be made a little bit smaller. We would also note that in the previous re-allocation, the Resource Pool was created by operational integration of both Hoover and the P-DP.

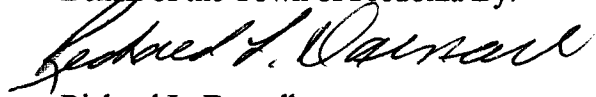
COST RECOVERY CRITERIA

Western published in 49 FRN 50585 that there were be a cost recovery component added to the P-DP rates of 4.5 mills/kWh beginning in 2005. 2.0 mills/kWh of this is for Arizona customers for repayment of the Central Arizona Project (CAP). Fredonia believes this charge of 2.0 mills should not be applicable to them. Fredonia is located north of the Grand Canyon and not even remotely close to the CAP. Yes, it is in Arizona but reaps no benefit from the CAP. In fact, Fredonia has water supply problems of its own that it must resolve. The language in the FRN was prepared long before the P-DP allocation process began in 1985 and no one considered that there might be a P-DP customer that is not located in the southern half of Arizona.

Accordingly, Fredonia requests that Western make a determination that the portion of the CAP cost recovery component of, 2.0 mills/kWh, not be applied to Fredonia's energy purchases beginning in FY 2005.

We appreciate the effort and excellent cooperation the Western staff has provided to Fredonia and look forward to a long standing relationship.

Respectfully Submitted on
Behalf of the Town of Fredonia By:

A handwritten signature in black ink, appearing to read "Richard L. Darnall", written in a cursive style.

Richard L. Darnall

cc: Mr. Greg Honey